circumstances, with close approximation, 25-17 francs instead of 25-22 will buy a bill for £1; that is to say, the exchange is low, or unfavourable to England. In other words, the purchase-price of bills in England upon Paris (for payment of commercial debts owing in that city—the city which we have employed in the illustration) may become so high, that is, may procure so inferior an amount in francs, that it may ultimately prove to be cheaper, notwithstanding the charges for carriage and insurance, to defray the indebtedness by the transport of gold—with consequent depletion of the Bank of England Eeserve. But, when in this condition of the exchanges the bank-rate in England is superior to that in France, banks and merchants in that centre invest (on account of the more advantageous terms for loans to be realised in London) in bills drawn upon England; and this increased competition enhances the price of English bills. Hence, for example, regarding our illustration, 25'27 francs, or more, in France may gradually become the price of £1 (since the value of bills on England has advanced by the foreign operations above mentioned); the exchange will then be favourably turned in connection with England, and the possibility of an export of gold from England be reduced on this account—an exchange of 25*32 francs to £1 bringing gold from Paris. [The eagerness in Paris to secure bills drawn upon English firms, when our bank rate is increased, would probably be mainly directed to bills which were payable on demand or " at sight," so that the proceeds might be received immediately for investment at the prevailing rate. For if a bill maturing in three months' time were bought it could only at once be utilised for investment by discounting, and the high rate of discount would tend to neutralise the pecuniary benefit from the investment of the proceeds. And, in addition, the bank rate might possibly soon be reduced.] Corresponding remarks apply to the exchanges with foreign countries generally.

An exchange is thus termed favourable to England when (citing France again as example) the cost of placing £1 in England (that is, the price in francs of a

bill o.f exchange per each £1 which it expresses) approaches the level at which it would practically be as cheap to dispatch gold from France